

INFORMATION REPORT

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Industry in North China

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THIS IS UNEVALUATED INFORMATION

1. The Economic Council of the Chinese Communist Government is headed by General CHU Te, Commander in Chief of the Chinese Communist Army. His assistant Colonel TENG, who is European-educated, is head of the Engineering Bureau of the Council.
2. The development of light industry, under the direct supervision of TENG, is rapidly taking place throughout the country. Rubber factories, textile mills, sugar refineries and tobacco factories are being set up in every sizeable city. There is an acute shortage of rubber, and what raw product is obtained comes from Malaya and India. The government is now experimenting with planting rubber on a large scale in Chinese Turkestan. Rubber plantations on Hainan, established since the Communist occupation, are expected to yield their first crop in 2½ years. Thirty percent of the machinery for light industry factories is locally manufactured, the rest being imported mainly from Czechoslovakia. The lack of steel and copper is very strongly felt.
3. Heavy industry in China is still lagging. The main reason for this is that no steel-producing plants of any size are yet in operation and what is produced is only 20 percent of the country's need. The bulk of the steel imported comes from Japan or Czechoslovakia. Since the war in Korea the price of steel has gone up 600 percent. There are steel plants in Anshan, Manchuria, but the steel produced is of very inferior quality and the steel rails manufactured there are not accepted by the government railways. Recently the Soviets built a steel-producing plant in Tientsin, but it is on an experimental scale and produces no more than 50 tons of steel per day.
4. In Shitaochuan (sic) 38-03 N, 114-29 E (Shih-men), a new industrial town founded by the Japanese in Hopeh, a huge automobile factory is being built and is expected to be completed in 1953. Over 200,000 workmen are engaged in its construction. This huge factory is expected to produce everything from a bolt to rubber tires, with the exception of sheet metal. The power is supplied by a hydroelectric plant just outside the town. The machinery for the factory is already available and believed to have been originally imported by the Nationalist Government from England.
5. There are blueprints for a huge truck-manufacturing plant to be erected in an undetermined place, following the Soviet pattern for truck "Z-150."

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6. The oil industry and the manufacture of gasoline is taking precedence over other projects at present. Since the war in Korea there has been a noticeable shortage of gasoline in North China. All the machinery for oil refineries and manufacturing plants is imported from the USSR. Some of the largest refineries are in Chinchou on the Kwantung Peninsula; there are a number of refineries in Kansu.
7. There are bauxite (aluminum) mines in Poshan (117-51, 36-32), where there are several permanent Soviet advisers who supervise the shipment of ore to the USSR. Most of the output of bauxite is exported to the USSR.
8. The economic development of North China follows the principles adopted by the Japanese. Communications and transport, post and telegraph, have greatly improved since the Chinese Communist occupation. The railroad between Dairen and Harbin is in excellent condition. In order to relieve the transport and communication system a net of canals is being constructed throughout the country. Over one million forced laborers, who were political offenders, are engaged in this project.
9. Laborers in all the Government factories are paid miserable wages, which are slightly higher in the south than in the north. There are various unions, but these are merely political organizations and do not concern themselves with the welfare of the members.
10. There are several thousand Soviet advisers in Hopeh, attached to various ministries, such as Communications, Heavy Industry, Education, Army and Aviation. These advisers are paid high salaries by the Chinese Communist Government and until recently they were paid in U. S. dollars. Now they are being paid in local currency; their salaries, however, are still about ten times higher than those of the Chinese officials whom they are supposed to advise. Very few of these advisers remain longer than 3 or 4 months. They are usually recalled to Moscow and others arrive to replace them.
11. A number of Soviet advisers from Moscow attended conferences held in Peiping in connection with the building program in Hopeh. One of the conferences was attended by the Soviet Minister of Light Industry and his assistant, Stepanoff.
12. The Soviet advisers are generally aloof and do not seek friendship among the Chinese. Relations between the advisers and Chinese Communist officialdom are more and more strained. There are several reasons for this:
 - a. The advisers are paid higher salaries than the Chinese.
 - b. At present the anti-foreign faction is in the majority in the Chinese Communist Government. The presence of such a vast number of foreigners in the key positions in the Government is strongly resented. There are two other factions among the officials, the European-educated and the American-educated. The latter's influence is strongest south of the Yangtze.
 - c. Differences in outlook result in a constant war among high-level officials as each maneuvers for a more influential and higher position.
13. When travelling through the country Soviet advisers are invariably provided with armed bodyguards, who also act as servants. Upon arrival in a town, suitable accommodations are requisitioned, as well as necessary supplies and food.
14. In Manchuria the Soviets are hated by the Chinese population. There were many ugly incidents when the Soviet troops first occupied this region and the Chinese are not likely to forget these for a long time.
15. In addition to Soviet advisers there are about 50 White Russians in China who took out Soviet papers after World War II. They are mainly graduates of the Harbin Polytechnicum employed in various cities on technical jobs. They are in an entirely different category from the Soviet advisers from Moscow and do not mix with them.
16. There are also many Japanese engineers and technicians employed in various industries. Most of these married Chinese women and appear to have settled in China.

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17. In addition to the opening of various technical schools, special schools for the study of the Russian language are being set up everywhere. Their primary purpose is to create a sufficient number of interpreters, specially trained in technical work, in order to relieve the present shortage of qualified interpreters which tends to handicap the work of the Soviet advisers.

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